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Kerr-Addison Gold Mines
Limited
(No Personal Liability)

Fourth Annual Report
"
For the Year Ended
December 31st, 1939

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Kerr-Addison Gold Mines Limited

(No Personal Liability)



OFFICERS

President

G. B. WEBSTER

Vice-President

J. H. COLVILLE

Secretary-Treasurer

G. A. CAVIN

DIRECTORS

A. H. COCKERAM

J. H. COLVILLE

F. M. CONNELL

A. DORFMAN

G. B. WEBSTER

H. S. MUNROE

J. H. C. WAITE

Consulting Engineers

M. F. FAIRLIE

W. H. EMENS

Manager

W. S. ROW

Head Office: 80 King St. West, Toronto, Ont.

Mine Office: Larder Lake, Ont.

TRANSFER AGENTS AND REGISTRARS

CHARTERED TRUST & EXECUTOR COMPANY

34 King St. West, Toronto, Ont.

AUDITORS

FRED PAGE HIGGINS & COMPANY

Toronto, Ont.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Directors' Report

To the Shareholders,

Kerr-Addison Gold Mines, Limited.
(No Personal Liability)

Your Directors submit for your consideration their fourth Annual Report on the affairs of your Company, together with the Balance Sheet and Profit and Loss Account as at 31st December, 1939, with your Auditors' Report thereon, and Statement of Operations for the year by your Manager.

During the year your Company has expanded the mill from 500-ton daily capacity to one of 1,200 tons and the shaft has been deepened from 770 feet to 1,590 feet. New levels are being opened up on 850, 1,000, 1,150, 1,300 and 1,450 foot horizons, and a new crusher will be installed on the 1,300 foot level.

During the year the mill treated 268,409 tons of ore from which was recovered gold bullion having a total value of \$1,984,858.42, equivalent to \$7.394 per ton. Operating costs were \$1,073,850.91 or \$4.00 per ton, leaving a net operating profit of \$627,110.88 after deducting depreciation and deferred development but before making provision for taxes and other small profit and loss adjustments.

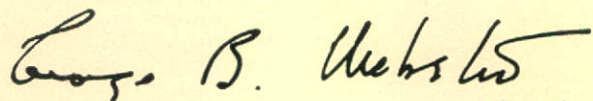
The balance at the credit of the Profit and Loss Account at the beginning of the fiscal year was \$218,071.04, which amount was increased during the fiscal year by \$596,108.23, representing the net earnings carried to Profit and Loss Account for the fiscal year ended the 31st December, 1939, after all charges. The total amount at the credit of Profit and Loss Account is now, therefore, \$814,179.27, which represents the total net earnings of your Company up to December 31st, 1939. In this connection your Directors wish to draw your attention to the fact that, during the fiscal year under review, capital expenditures incurred in the general expansion programme carried out, including the increase in milling capacity from 500 to 1,200 tons per day, amounted to over \$600,000.00, all of which was met out of these net earnings.

Your Directors again draw your attention to the large increase in ore reserves from 1,727,637 tons to 2,636,469 tons, of a value of \$9.20 uncut or \$5.95 cut. These reserves are all above the 700-foot level, and the increase is the result of a more intensive search for ore in an area previously partially developed. In addition, diamond drilling has indicated possible ore estimated at 1,054,663 tons of an uncut grade of \$8.22, and a cut grade of \$6.17.

Your Directors have made provision for the housing of your employees. Plans are being prepared, and contracts will be let for the construction of houses to be rented to your Company's employees at a reasonable rental. This will involve an expenditure of approximately \$125,000.00.

Your Directors wish to express their appreciation of the services rendered by your Consulting Engineers and your Manager and his Staff.

On behalf of the Board,



President.

Toronto, Ontario,
February 22nd, 1940.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET

As at December 31, 1939

ASSETS

Current Assets:

Cash on Hand and in Bank	\$	40,378.13	
Bullion on Hand and in Transit:			
Confirmed by subsequent reports from the Royal Canadian Mint and other sources		166,247.77	
Accounts Receivable		1,697.83	
Cash Deposits:			
Guarantees re Power and Freight Services		16,050.00	\$ 224,373.73

Investment in Kerr-Addison Properties Limited:

993 shares at cost	\$	99,300.00	
Cash Advances covered by Demand Notes		44,000.00	143,300.00

Deferred Charges:

Supplies and Materials, taken at book value:			
Mine	\$ 54,427.00		
Mill	37,200.51	\$ 91,627.51	
Unexpired portions of Insurance Premiums, etc.		12,146.88	
Pre-Production and Deferred Development Expenditure to January 1, 1939	\$744,327.23		
Net Additions during year	152,300.21		
	\$896,627.44		
Less: Proportion written off	186,081.80	710,545.64	814,320.03

Fixed Assets at Cost:

Buildings, Plant and Equipment:

	Balance Jan. 1, 1939	Net additions during year	Balance Dec. 31, 1939
Mine	\$ 547,915.01	\$218,825.67	\$ 766,740.68
Mill	598,249.95	397,344.39	995,594.34
Head Office	2,152.08	333.35	2,485.43
	\$1,148,317.04	\$616,503.41	\$1,764,820.45
Less: Reserve for Depreciation	114,831.70	171,926.05	286,757.75
	\$1,033,485.34	\$444,577.36	1,478,062.70

Mining Claims at Cost:

Eighteen Crown Patented Claims and sixteen Unpatented Claims, situated in the Township of McGarry, District of Temiskaming, Province of Ontario, acquired at a consideration given therefor of \$46,519.68 in cash and 1,300,900 shares of the Capital Stock of the Company, issued as fully paid and non-assessable and carried on the Company's books at a value of	\$1,347,419.68		
Less: Received in shares of Kerr-Addison Properties Limited for certain surface rights		99,300.00	1,248,119.68
			<u>\$3,908,176.14</u>

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET As at December 31, 1939

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Charges	\$ 114,135.34
Reserve for Workmen's Compensation and Silicosis Assessments	9,939.33
Reserve for Taxes	38,000.00

Capital:

Capital Stock:

Authorized—

5,000,000 shares of \$1.00 each \$5,000,000.00

Issued and fully paid—

4,730,301 shares of \$1.00 each \$4,730,301.00

Less: Discount on shares sold 1,798,378.80

\$2,931,922.20

Earned Surplus:

Profit as per statement attached 814,179.27 3,746,101.47

\$3,908,176.14

CERTIFICATE

We hereby certify, subject to the comments above, that the above Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the Company's affairs according to the best of our information and the explanations given to us and as shown by its books. We further certify that all our requirements as auditors have been complied with.

Toronto, March 12th, 1940.

FRED PAGE HIGGINS & COMPANY,
Chartered Accountants.

Kerr-Addison Gold Mines Limited

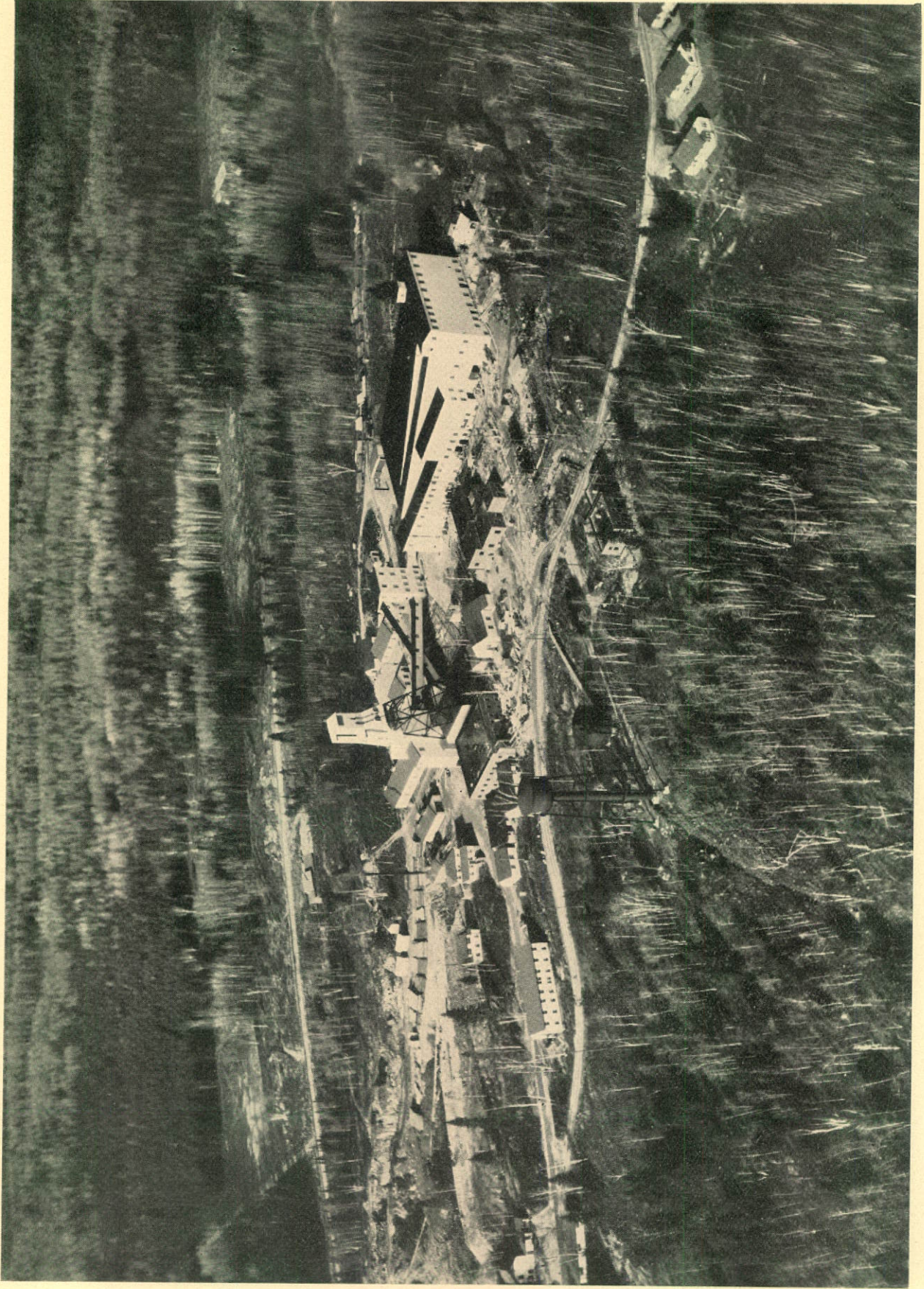
(No Personal Liability)

PROFIT AND LOSS ACCOUNT

For the Year Ended December 31, 1939

Balance at Credit, January 1, 1939		\$ 218,071.04
Net Operating Profit, brought forward*	\$ 627,110.88	
Miscellaneous Income:		
Interest Earned	\$ 3,158.32	
Rentals Received	2,665.00	5,823.32
		\$ 632,934.20
Deduct:		
Loss on Disposal of Bonds	\$ 812.50	
Loss on Sale of Equipment	793.50	1,606.00
Net Earnings before Provision for Taxes	\$ 631,328.20	
Provision for Provincial Taxes	35,219.97	596,108.23
Balance at Credit, December 31, 1939		\$ 814,179.27

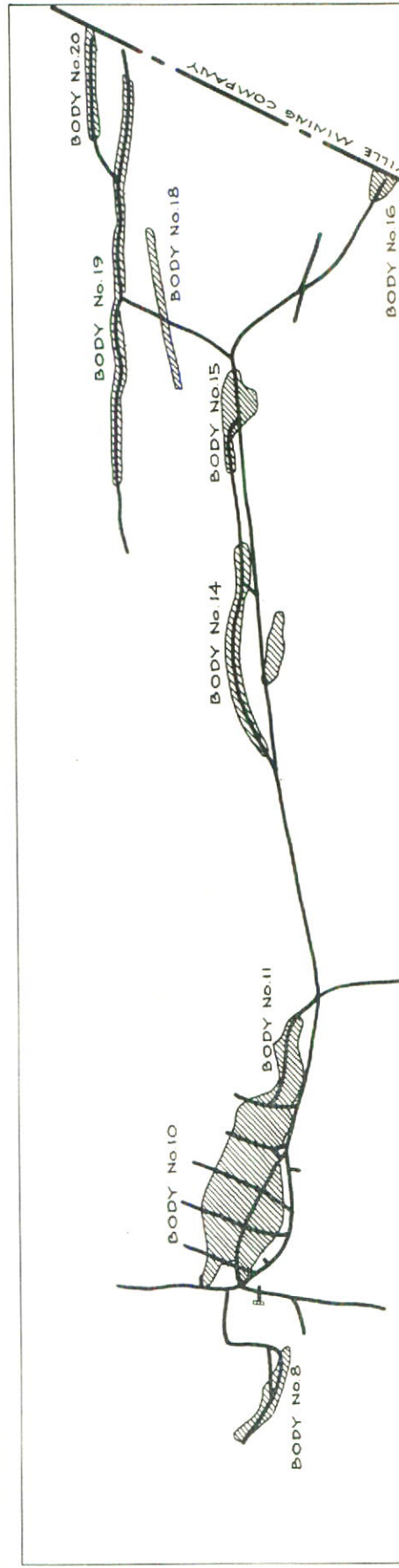
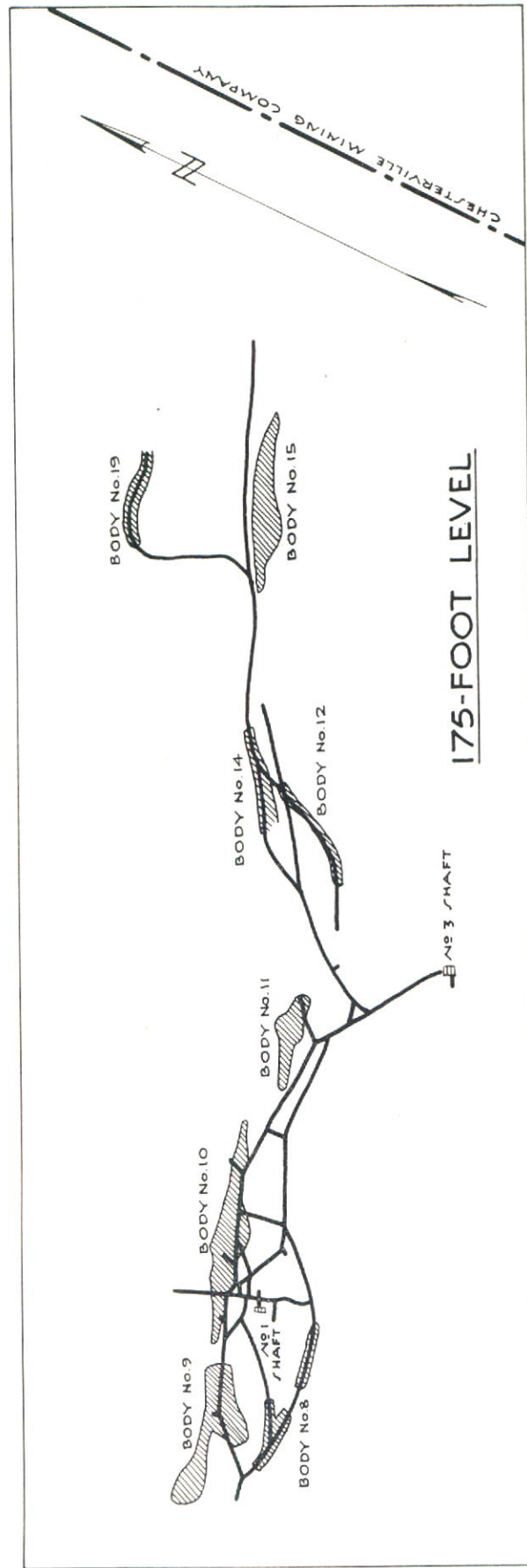
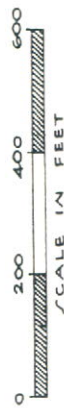
* See Manager's Report for Operating Statement.



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General View of Surface Plant, Kerr-Addison Gold Mines, Limited.

KERR-ADDISON GOLD MINES LIMITED (NO PERSONAL LIABILITY) **PLANS SHOWING OREBODY NUMBERING**



300-FOOT LEVEL

NO 3 SHAFT

BODY No. 19

BODY No. 10C

BODY No. 10A

BODY No. 8

BODY No. 10B

BODY No. 14

BODY No. 13

BODY No. 15

BODY No. 17

BODY No. 16

500-FOOT LEVEL

NO 3 SHAFT

CHESTERVILLE MINING COMPANY

BODY No. 19

BODY No. 14

BODY No. 10A

BODY No. 17

BODY No. 16

700-FOOT LEVEL

NO 3 SHAFT

CHESTERVILLE MINING COMPANY

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Manager's Report

The President and Directors,
Kerr-Addison Gold Mines Limited,
Toronto, Ontario.

Dear Sirs:

The following report covers the operations of your mine during the year ended December 31st, 1939:

During the year, exclusive of development rock, 407,653 tons of ore were broken, thereby increasing the tonnage of broken ore reserves by 194,766 tons. Except for pillars, mining of No. 10 Orebody was completed from the 300-foot level through to surface and other stope preparations were confined to the areas above the 300-foot and 500-foot levels.

No. 3 Shaft was deepened 797 feet and stations were cut for five new levels at the 850, 1,000, 1,150, 1,300 and 1,450-foot horizons. Another skip loading pocket was cut 50 feet below the 1,450-foot level. Lateral work on the new levels was deferred until the completion of shaft sinking.

Development work and diamond drilling during the year proved ore reserves as shown in the following tables:

ESTIMATED ORE RESERVES AS AT DECEMBER 31st, 1939

	Tons Ore	Ounces Uncut	Ounces Cut	Per Ton Value Dollars @ \$35.00 an oz.		Total Value Dollars @ \$35.00 an oz.	
				Uncut	Cut	Uncut	Cut
Surface to 60-ft. Level	99,339	0.2234	0.1406	7.82	4.92	776,731.66	488,847.21
60-ft. Level to 175-ft. Level	247,560	0.2558	0.1607	8.95	5.62	2,216,414.68	1,392,401.22
175-ft. Level to 300-ft. Level	363,671	0.2672	0.1700	9.35	5.95	3,401,051.19	2,163,842.45
300-ft. Level to 500-ft. Level	707,037	0.3234	0.1984	11.32	6.94	8,002,951.95	4,909,664.90
500-ft. Level to 700-ft. Level	663,025	0.3144	0.2049	11.00	7.17	7,295,927.10	4,754,883.70
Total unbroken positive ore	2,080,632	0.2979	0.1883	10.43	6.59	21,693,066.58	13,709,639.48
Total broken ore in stopes	316,158	0.2320	0.1794	8.12	6.28	2,567,202.96	1,985,156.08
Total positive ore	2,396,790	0.2892	0.1871	10.12	6.55	24,260,269.54	15,694,895.56
Plus 10% dilution	239,679						
Total, including 10% dilution	2,636,469	0.2629	0.1701	9.20	5.95	24,260,269.54	15,694,895.56

In addition to the foregoing ore reserves, diamond drilling has indicated 1,054,663 tons of ore of an indicated grade of 0.2349 ounces uncut, or 0.1765 ounces cut. Of this tonnage, approximately 50% is above the 700-foot horizon.

SUMMARY OF DEVELOPMENT AND MINING FOR THE YEAR 1939

Level	Shaft Sinking	Advance in Feet					Cubic Feet of Station Cutting	Totals (Lin. ft.)				Tonnage Ore Broken			
		Drifts	X-cuts	Raises	Box Holes	Sub Drifts		Shafts	Devel.	Diamond Drilling	Backs	Sills	Stopes	Total	
Surface															
No. 3 Shaft	797.4							797.4		4,119' 7"					
175 ft.		3,708.5	360.9	833.0			7,784		4,902.4	14,893' 9"				245,561	245,561
300 ft.		2,014.5	150.4	818.0	227.5		12,921	2,333	3,210.4	6,666' 3"	5,909	6,326	14,447	26,682	
500 ft.		2,122.2	654.5	1,705.8	1,165.8	1,309.0	26,515		6,957.3	13,437' 6"	2,803	25,014	107,593	135,410	
700 ft.		3,020.1	922.4				8,604	3,383	3,942.5	15,690' 6"					
700 Sump								3,122							
850 ft.								11,010							
1,000 ft.								11,275							
1,150 ft.								11,142							
1,300 ft.								11,426							
1,450 ft.			11.5				12,848		11.5						
1,450 Loading Pocket				42.6			2,899		42.6						
Totals	797.4	10,865.3	2,099.7	3,399.4	1,393.3	1,309.0	55,824	69,438	797.4	19,065.7	54,807' 7"	8,712	31,340	367,601	407,653

Construction:

In July the Directors authorized the construction of a change house, an assay office, certain additions to the power plant and the enlargement of the mill building to accommodate two new 500-ton units with the immediate installation of one of these units. The new milling unit was completed and in operation before the end of October. Necessary extensive alterations in the original mill unit were completed early in December and at the end of the year both units were in normal operation. The additions to the power house and the installation of equipment, and the erection of the change house and assay office were also completed during the period of mill construction.

The planning, construction and installation has been done in such a manner that the present mill capacity may be increased by 50 per cent with a minimum of expense. Ore bins, solution tanks, solution pumps and pipe lines, air and vacuum lines are all of capacity sufficient for an additional milling unit. Transformer capacity now installed will handle the additional power required for another mill unit as well as for another hoist, a second jaw crusher and a third air compressor.

Production:

During the first half of the year tonnage was increased to approximately 720 tons daily. In November and early December during the period of alteration in the original mill, tonnage was raised to over 900 tons daily, and upon the completion of mill alterations, to 1,200 tons daily.

The effect of dilution in our shrinkage stopes has not yet been reflected in the grade of mill feed.

SUMMARY OF PRODUCTION FOR THE YEAR 1939

Tons Milled	268,409		
Average tons milled per day	735		
Total Gold Recovered	54,480.03	ozs.	
Total Silver Recovered	2,732.52	ozs.	
Total Marketed Value of Bullion			\$1,984,858.42
Total Marketed Value of Bullion per ton			\$ 7.394
Average Gold Recovery per ton	0.2030	oz.	\$ 7.104—Au. @ \$35.00 per oz.
Average Tailing Loss per ton	0.0103	oz.	\$ 0.361—Au. @ \$35.00 per oz.
Average Mill Head Value (Bullion plus Tails)	0.2133	oz.	\$ 7.465—Au. @ \$35.00 per oz.

Cost Summary:

Tons milled—268,409.

	Total	Per Ton Milled
Diamond Drilling	\$ 61,325.88	\$.228
Mine Development	232,041.97	.864
Stope Development	129,485.07	.483
Mining	253,378.44	.944
Motor Trammig	38,393.55	.143
Hoisting	43,117.99	.161
Pumping	5,763.19	.021
Crushing and Conveying	47,546.71	.177
Milling	174,856.79	.652
General Expense	41,298.53	.154
Bullion Marketing	25,184.94	.093
Head Office Expense	21,457.85	.080
Total	\$1,073,850.91	\$ 4.000
Provision for Depreciation of Buildings and Equipment, 15% per annum	172,247.55	.641
Provision for Amortization of Deferred Development, 15% per annum	111,649.08	.416
Total	\$1,357,747.54	\$ 5.057
Total Production	\$1,984,858.42	\$ 7.394
Operating Profit before provision for Depreciation, Deferred Development and Taxes	911,007.51	3.394
Net Operating Profit, before provision for Taxes	627,110.88	2.337

General:

For 1940, aside from shaft sinking, a greater development schedule is planned, than that carried out in the past year. This is necessary for the opening up of the new block of five levels. Work on the 1,000-foot and 1,300-foot levels will be accelerated in order that an approximate idea of distribution of ore in this block of ground may be obtained as quickly as possible. Ore passes will be driven from the loading pocket at the 1,500-foot horizon to the 700-foot level and a jaw crusher will be installed at the 1,300-foot level.

The changes in, and additions to, the mill now permit of a more suitable flow sheet with an improved extraction. The increase in tonnage treated has resulted in a notable reduction in costs per ton.

It is with pleasure that I again thank the members of the Staff for their loyalty and co-operation. I also wish to express to the Officials, Directors and Consulting Engineers my appreciation of their support, co-operation and advice.

Respectfully submitted,

(Signed) "W. S. ROW"

Manager.

February 20th, 1940.

